

PECK COMMUNITY SCHOOLS

Peck, Michigan

REPORT ON FINANCIAL STATEMENTS

(with additional information)

June 30, 2006

TABLE OF CONTENTS

	<u>Page Number</u>
REPORT OF INDEPENDENT AUDITORS	1 & 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - x
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Fund Balances of Governmental Funds	8
Agency Fund	
Statement of Fiduciary Net Assets	9
Statement of Changes in Fiduciary Net Assets	10
Notes to Financial Statements	11 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	23
ADDITIONAL INFORMATION	
Nonmajor Governmental Fund Types:	
Combining Balance Sheet	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	25
General Fund:	
Schedule of Revenues	26
Schedule of Expenditures	27-31
All Special Revenue Funds:	
Combining Balance Sheet	32
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	33
Debt Retirement Fund:	
Balance Sheet	34
Schedule of Revenues, Expenditures and Changes In Fund Balances	35
Trust and Agency Funds:	
Combining Balance Sheet	36
Combining Balance Sheet - Scholarship Funds	37 & 38
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	39 & 40
Schedule of Receipts, Disbursements, and Changes in Fund Balances	41
Schedule of Bonded Debt - 1996 Debt	42
Schedule of Bus Note Payable	43
Schedule of Bus Note Payable	44
Report on compliance and on internal control over financial reporting based on an audit of of financial statements performed in accordance with Governmental Auditing Standards	45 & 46

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 3, 2006

INDEPENDENT AUDITOR'S REPORT

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Peck Community Schools' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2006 on our consideration of Peck Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through x and 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Peck Community Schools
August 3, 2006

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peck Community Schools' basic financial statements. The additional information on pages 24 to 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Peck Community Schools, a K-12 school district located in Sanilac County, Michigan has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Peck Community Schools' Management's discussion and analysis of the financial results for the fiscal year ended June 30, 2006.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: Fund Financial Statements and District Wide Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds, not the School District as a whole. The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The District has two kinds of funds:

- **Governmental Funds:** All of the District's basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of governmental funds statements explains the relationship (or differences) between them. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Debt Funds and the School Service Funds, which are comprised of: Food Service and Athletics.
- **Fiduciary Funds:** The District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded in the fund financial statements.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

District Wide Financial Statement

The District wide financial statements report using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Financial Position and Results of Operations

The School District's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school building and facilities, the safety of the schools and other non-financial factors.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Summary of Net Assets

The following schedule summarizes the net assets at fiscal year ended June 30, 2006.

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Assets		
Current assets	<u>\$2,340,279</u>	<u>\$2,494,933</u>
Capital assets	6,490,404	6,109,402
Less: Accumulated Depreciation	<u>(2,663,380)</u>	<u>(2,500,595,)</u>
Capital Assets, net book value	<u>3,827,024</u>	<u>3,608,807</u>
Total assets	<u><u>\$6,167,303</u></u>	<u><u>\$6,103,740</u></u>
Liabilities		
Current liabilities	\$ 687,324	\$ 617,415
Long-term liabilities	<u>1,771,730</u>	<u>1,910,699</u>
Total liabilities	<u><u>\$2,459,054</u></u>	<u><u>\$2,528,114</u></u>
Net Assets		
Invested in capital assets, net of related debt	\$1,901,404	\$1,544,093
Restricted for debt service	57,830	61,892
Unrestricted	<u>1,749,015</u>	<u>1,969,641</u>
Total net assets	<u><u>3,708,249</u></u>	<u><u>3,575,626</u></u>
Total net assets and liabilities	<u><u>\$ 6,167,303</u></u>	<u><u>\$ 6,103,740</u></u>

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Analysis of Financial Position:

During the fiscal year ended June 30, 2006, the District's net assets increased by \$132,623. A few of the significant factors affecting net assets during the year, are discussed below:

A. General Fund Operations

The District's revenues were less than expenditures by \$212,576 for the fiscal year ended June 30, 2006. See the section entitled Results of Operations, below, for further discussion of General Fund Operations.

B. Debt, Principal Payments

The District took out a new 4 year copier loan during the year.
The District made principal payments on long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance June 30, 2005	Principal Payments June 30, 2006	New Loans June 30, 2006	Principal Balance June 30, 2006
Bonds Payable	\$ 2,000,000	\$ 150,000		\$1,850,000
Compensated Absences Payable	17,133	413		16,720
Bus Notes Payable	64,714	21,148		43,566
Copier Note Payable	<u>-</u>	<u>9,896</u>	<u>\$ 41,950</u>	<u>32,054</u>
Total Long-Term Debt	<u>\$ 2,081,847</u>	<u>\$ 181,457</u>	<u>\$ 41,950</u>	<u>\$ 1,942,340</u>

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

C. Net Investment in Capital Assets

The District's net investment in capital assets increased by \$218,217 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2005	ADDITIONS	DELETIONS	BALANCE JULY 1, 2006
Assets not being depreciated - land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963	\$ 267,279		4,866,242
Machinery and equipment	676,183	113,723		789,906
Transportation equipment	383,847			383,847
Subtotal	6,059,402	381,002		6,440,404
Accumulated depreciation	(2,500,595)	(162,785)		(2,663,380)
Net Other capital assets:	3,558,807	218,217	0	3,777,024
Net capital assets	\$ 3,608,807	\$218,217	0	\$ 3,827,024

In 1996, Peck voters approved a \$3.2 million, general obligation bond issue. The proceeds from that bond issue were used for constructing additions to and remodeling of existing school facilities, technology and infrastructure and equipping and updating equipment within the facility. The capital project was completed in the fiscal year ended June 30, 1997. Prior to 1996, the District's most recent bond issue had been 1976.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Results of Operations:

For the fiscal year ended June 30, 2006, the District wide Results of Operations were:

	June 30, 2006		June 30, 2005	
	Amount	% of Total	Amount	% of Total
General Revenues				
Property taxes	\$ 373,638	7.46%	\$ 386,383	7.75%
Investment earnings	63,517	1.27%	35,434	.71%
State sources	4,132,728	82.52%	4,131,770	82.85%
Other	65,766	1.31%	66,048	1.32%
Total general revenues	4,635,649	%	4,619,635	92.63%
Program Revenues				
Charges for services	118,448	2.37%	131,362	2.63%
Operating grants	254,041	5.07%	236,371	4.74%
Total revenues	5,008,138	100.00%	4,987,368	100.00%
Expenses				
Instruction	2,696,301	55.30%	2,609,572	52.24%
Support services	1,593,832	32.69%	1,767,003	35.38%
Community service	719	.01%	4,835	0.10%
Food services	182,168	3.74%	182,175	3.65%
Athletics	142,049	2.91%	152,108	3.05%
Interest on long-term debt	97,361	2.00%	105,951	2.12%
Other	300	.01%	299	0.01%
Unallocated depreciation expense	162,785	3.34%	172,068	3.45%
Total expenses	4,875,515	100.00%	4,994,011	100.00%
Increase (decrease) in net assets	\$ 132,623		\$ (6,642)	

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

Governmental Funds Financial Highlights

The General Fund and the 1996 Debt Retirement Funds are reported separately as major funds in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Food Service and Athletics Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

- **General Fund**

The General Fund experienced a decrease in fund equity of \$212,576 during the year ended June 30, 2006. The District increased spending for an energy efficiency project. Ending fund equity in the General Fund was \$1,753,555 at June 30, 2006, which equates to 38% of revenues for the year. This level is down from \$1,966,131 at June 30, 2005.

- **1996 Debt Retirement Fund**

The 1996 Debt Retirement Fund experienced an decrease in fund equity of \$4,062 during the year ended June 30, 2006.

- **Other Governmental (Special Revenue) Funds**

Other government (special revenue) funds experience an overall decrease in fund equity of \$8,284 during the year.

General Fund Budget and Actual Expenditures (Operating Highlights)

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and the resulting staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two or three times during the fiscal year to adjust for these changes. These amendments must be approved by the Board of Education prior to the close of the fiscal year on June 30.

For the 2005-2006 fiscal year, the District amended the general fund budget several times. The following schedule shows a comparison of the original general fund budgeted revenues and expenditures, the final amended general fund budgeted revenues and expenditures and the actual totals for the fiscal year:

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

2005-2006 General Fund Budgeted Expenditures

Total Expenditures Original Budget	\$4,408,764
Total Expenditures Final Budget	<u>\$4,829,915</u>

Increase (decrease) in Budgeted Expenses \$421,1551

The District's actual general fund expenditures were less than the final budget by \$19,896.

2005-2006 General Fund Budgeted Revenues

Total Revenues Original Budget	\$4,543,150
Total Revenues Final Budget	<u>\$4,540,143</u>

Increase (decrease) in Budgeted Revenues \$ (3,007)

The District's 2005-2006 actual general fund revenues were more than the final budget by \$57,300. The variances between the original and final amended budgets in the General Fund are due primarily to changes in state funding.

The School District is predominantly funded by State Aid, which has increased on a per-pupil basis between years at a modest rate. Unrestricted state aid is determined by the following three variables:

1. State of Michigan State Aid Act per student foundation allowance
2. Student enrollment, blended at 75% of current year's fall count and 25% of prior year's spring count
3. The School District's non-homestead property tax levy

1. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. Peck Community School's foundation allowance was \$6,700 per student for the 2004-05 and \$6,875 for the 2005-2006 school year.

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

2. Student Enrollment

The District's student enrollment for the fall count of 2005-2006 was 610.00 students. The District's enrollment decreased from the prior school year's student count. The following summarizes fall student enrollments in the past five years:

<u>Fiscal Year</u>	<u>Student FTE</u>	<u>FTE Change from Prior Year</u>
2005-2006	608.00	-2.1%
2004-2005	621.00	1.8%
2003-2004	610.23	-.5%
2002-2003	613.21	-1.7%
2001-2002	623.70	3.0%

Subsequent to the year ended June 30, 2006, preliminary student enrollments for 2006-2007 indicate that enrollments may increase by about 10 – 15 students from 2005-2006.

3. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9935 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue for the 2005-2006 fiscal year was \$133,687.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

<u>Fiscal Year</u>	<u>Non-Hmst. Tax Levy</u>	<u>Increase (Decrease) from prior year</u>
2005-2006	\$133,687	\$ 4,955
2004-2005	\$128,732	\$ 7,275
2003-2004	\$121,457	\$13,344
2002-2003	\$108,113	\$ 3,020
2001-2002	\$105,093	\$ 5,371

PECK COMMUNITY SCHOOLS

Management's Discussion and Analysis For Fiscal Year Ended June 30, 2006

4. Property Taxes Levied For Debt Retirement Fund

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable value of all properties: homestead and non-homestead. For 2005-2006, the District's debt levy was 3.7 mills that generated revenue of \$239,947.

5. Food Sales to Students & Adults (School Lunch Program)

The District's food and milk sales to students and adults decreased by approximately \$2,000 from the prior year.

The total revenues from Food Service operations was less than the total expenditures for the year by \$7,070 in the food services fund.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Superintendent's Office, Peck Community Schools.

BASIC FINANCIAL STATEMENTS

PECK COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2006

	ASSETS	GOVERNMENTAL ACTIVITIES
CURRENT ASSETS:		
Cash		\$ 1,568,596
Accounts receivable		1,612
Due from other governmental units		753,903
Due from other funds		15,168
Property taxes receivable		1,000
Prepaid expenses		-
TOTAL CURRENT ASSETS		<u>2,340,279</u>
NONCURRENT ASSETS:		
Capital assets		6,490,404
Less accumulated depreciation		<u>(2,663,380)</u>
TOTAL NONCURRENT ASSETS		<u>3,827,024</u>
TOTAL ASSETS		<u><u>\$ 6,167,303</u></u>
	LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:		
Accounts payable		\$ 25,905
Accrued salaries & wages		351,797
Accrued payroll taxes		73,444
Accrued interest		8,729
Retirement payable		56,839
Current portion of long term debt		<u>170,610</u>
TOTAL CURRENT LIABILITIES		<u>687,324</u>
NONCURRENT LIABILITIES:		
Noncurrent portion of long term debt		1,755,010
Compensated absences		<u>16,720</u>
TOTAL NONCURRENT LIABILITIES		<u>1,771,730</u>
NET ASSETS:		
Invested in capital assets, net of related debt		1,901,404
Restricted for debt service		57,830
Unrestricted		<u>1,749,015</u>
TOTAL NET ASSETS		<u>3,708,249</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 6,167,303</u></u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
June 30, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 2,696,301		\$ 122,959	\$ (2,573,342)
Support services	1,593,832		52,697	(1,541,135)
Community service	719	\$ 800		81
Food services	182,168	83,657	78,385	(20,126)
Athletics	142,049	33,991	-	(108,058)
Interest on long-term debt	97,361			(97,361)
Other	300			(300)
Unallocated depreciation	162,785			(162,785)
Total governmental activities	<u>\$ 4,875,515</u>	<u>\$ 118,448</u>	<u>\$ 254,041</u>	<u>(4,503,026)</u>
General revenues:				
Property taxes, levied for general purposes				133,691
Property taxes, levied for debt service				239,947
State of Michigan school aid unrestricted				4,132,728
Investment revenue				63,517
Miscellaneous				65,766
Total general revenue				<u>4,635,649</u>
Change in net assets				132,623
Net assets, beginning of year				<u>3,575,626</u>
Net assets, end of year				<u>\$ 3,708,249</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash	\$ 1,492,434	\$ 57,830	\$ 18,332	\$ 1,568,596
Accounts receivable	1,612			1,612
Due from other governmental units	752,326		1,577	753,903
Due from other funds	15,168			15,168
Prepaid expenses	-			-
TOTAL ASSETS	<u>\$ 2,261,540</u>	<u>\$ 57,830</u>	<u>\$ 19,909</u>	<u>\$ 2,339,279</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 25,905			\$ 25,905
Due to other funds			-	-
Accrued salaries & wages	351,797			351,797
Retirement benefits payable	56,839			56,839
Accrued expenses	73,444			73,444
TOTAL LIABILITIES	<u>507,985</u>	<u>-</u>	<u>-</u>	<u>507,985</u>
FUND BALANCE:				
Unreserved	853,555		\$ 19,909	873,464
Designated for capital projects	900,000			900,000
Reserved for debt service		\$ 57,830		57,830
TOTAL FUND BALANCE	<u>1,753,555</u>	<u>57,830</u>	<u>19,909</u>	<u>1,831,294</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 2,261,540</u>	<u>\$ 57,830</u>	<u>\$ 19,909</u>	<u>\$ 2,339,279</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2006

Total fund balances--governmental funds	\$ 1,831,294
--	---------------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is:	6,490,404
Accumulated depreciation is:	(2,663,380)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(1,850,000)
Bus notes payable:	(43,566)
Copier note payable	(32,054)
Compensated absences:	(16,720)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(8,729)

Balance of taxes receivable at 6/30/06 less allowance for doubtful accounts	1,000
---	-------

Net assets of governmental activities	<u>\$ 3,708,249</u>
--	----------------------------

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2006

	GENERAL FUND	DEBT RETIREMENT FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	\$ 259,340	\$ 243,313	\$ 118,716	\$ 621,369
State sources	4,120,497		12,231	4,132,728
Federal sources	175,656		78,385	254,041
TOTAL REVENUES	4,555,493	243,313	209,332	5,008,138
EXPENDITURES:				
Instruction	2,696,590			2,696,590
Supporting services	1,707,679			1,707,679
Community service	719			719
Facilities Acquisition	267,259			267,259
School activities			324,217	324,217
Capital outlay				-
Debt service:				
Principal retirement		150,000		150,000
Interest		97,075		97,075
Other		300		300
TOTAL EXPENDITURES	4,672,247	247,375	324,217	5,243,839
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(116,754)</u>	<u>(4,062)</u>	<u>(114,885)</u>	<u>(235,701)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund			106,601	106,601
Loan proceeds	41,950			41,950
Payments on loans	(31,171)			(31,171)
Transfer to Athletic Fund	(106,601)			(106,601)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(95,822)</u>	<u>-</u>	<u>106,601</u>	<u>10,779</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(212,576)</u>	<u>(4,062)</u>	<u>(8,284)</u>	<u>(224,922)</u>
FUND BALANCE - BEGINNING OF YEAR	1,966,131	61,892	28,193	2,056,216
FUND BALANCE - END OF YEAR	<u>\$ 1,753,555</u>	<u>\$ 57,830</u>	<u>\$ 19,909</u>	<u>\$ 1,831,294</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
June 30, 2006

Total net change in fund balances--governmental funds	\$ (224,922)
--	---------------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(162,785)
Capital outlay	381,002

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	8,550
Accrued interest payable at the end of the year	(8,729)

Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	(41,950)
--	----------

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	181,044
--	---------

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(1,000)
Accrued revenue at the end of the year	1,000

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	17,133
Accrued absences at the end of the year	<u>(16,720)</u>

Change in net assets of governmental activities	<u>\$ 132,623</u>
--	--------------------------

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 100,396	\$ 77,944
TOTAL ASSETS	<u>\$ 100,396</u>	<u>\$ 77,944</u>
<u>LIABILITIES AND FUND BALANCE</u>		
LIABILITIES:		
Due to general fund		\$ 15,168
Scholarships payable		
Due to student organizations		62,776
TOTAL LIABILITIES	-	77,944
FUND BALANCE:		
Fund balance:		
Reserved for scholarships	\$ 100,396	
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 100,396</u>	<u>\$ 77,944</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2006

	<u>PRIVATE PURPOSE TRUST FUND</u>
ADDITIONS:	
Interest	\$ 3,633
Donations	<u>6,949</u>
Total Additions	<u>\$ 10,582</u>
DEDUCTIONS:	
Scholarships awarded	<u>\$ 8,610</u>
CHANGE IN NET ASSETS	1,972
NET ASSETS:	
Beginning of year	<u>98,424</u>
End of year	<u>\$ 100,396</u>

The accompanying notes are an integral part of the financial statements.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of Peck Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The Peck Community Schools (the "District") is governed by the Peck Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Nonexpendable trust funds account for assets where only the interest may be spent. These funds are not reported on the District's financial statements. The District's trust fund currently holds assets donated to the District.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):

Modified Accrual Method:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan utilizes a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006 the foundation allowance was based on the pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2005 - August, 2006. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

State Categorical Revenue:

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received that are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue:

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The District had no investments at June 30th.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund – Non Homestead	17.9935
Debt Service Fund- Homestead and non-homestead	3.70

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

The District's policies generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

It is the policy of the District that upon the death or retirement or layoff of a teacher from the district, the Board shall pay to the teacher with ten years or more of service, or his/her estate, a sum equal to \$40.00 for each unused accumulated sick days in excess of 50 days. Unused sick days in excess of 100 shall be paid out annually.

7. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Memorandum Only - Total Column.

The total column on the combined general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK:

As of June 30, 2006, the District had no investments.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,517,692 of the District's bank balance of \$1,746,936 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$178,340	\$1,746,936
Investments	<u>0</u>
	<u>\$1,746,936</u>

The above amounts are reported in the financial statements as follows:

Cash Private Purpose Trust Fund	\$ 100,396
Cash Agency Fund	77,944
Cash - District wide	1,568,596
Investments - District wide	<u>0</u>
	<u>\$1,746,936</u>

NOTE 4 – LONG-TERM DEBT:

The following is a summary of the long-term debt of the school district for the year:

	<u>LONG-TERM DEBT</u>	
	2006	2005
Balance payable - July 1	\$2,081,847	\$2,196,567
1996 School Building and Site Bonds paid	(150,000)	(150,000)
Bus loans paid	(21,148)	(21,994)
New bus loan	0	53,541
New copier loan	41,950	0
Copier loan paid	(9,896)	0
Increase (decrease) in accumulated compensated absences	<u>(413)</u>	<u>3,733</u>
Balance payable June 30	<u>\$1,942,340</u>	<u>\$2,081,847</u>

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 4 – LONG-TERM DEBT, (Continued):

1996 School Building & Site Bonds	\$ 1,850,000
2004 Bus Notes	43,566
2006 Copier Note	32,054
Compensated Absences	<u>16,720</u>
 TOTAL	 <u><u>\$ 1,942,340</u></u>

The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2007	170,610	89,515	260,125
2008	171,375	81,774	253,149
2009	172,167	73,749	245,916
2010	186,468	66,207	252,675
2011	175,000	57,575	232,575
2012	175,000	49,350	224,350
2013	175,000	41,125	216,125
2014	175,000	32,900	207,900
2015	175,000	24,675	199,675
2016	175,000	24,675	199,675
2017	<u>175,000</u>	<u>24,675</u>	<u>199,675</u>
 Accumulated compensated absences	 <u>16,720</u>	 <u>-</u>	 <u>16,720</u>
 TOTALS	 <u><u>\$1,942,340</u></u>	 <u><u>\$556,220</u></u>	 <u><u>\$2,508,560</u></u>

Interest expense (all funds) for the year ended June 30, 2006 was \$101,154.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan.

The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2005 was 14.87% through September 2004 and 16.34% for October 1, 2004 through June 30, 2005. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District's contribution to MPERS for the year ended June 30, 2006, 2005, and 2004 was \$424,289 \$402,654, and \$347,099, respectively, and were equal to the required contribution for those years then ended.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other post-employment benefits – Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 6 - OPERATING LEASES:

The District maintains a noncancelable obligation for certain office equipment in the form of an operating lease. \$1,813 was the lease expense for June 30, 2006. The lease obligations are finished as of June 30, 2006.

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$15,168	
Trust & Agency	<u> </u>	<u>\$15,168</u>
Total	<u>\$15,168</u>	<u>\$15,168</u>

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 8 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 9 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>JULY 1, 2005</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2006</u>
Assets not being depreciated – land	\$ 50,000			\$ 50,000
Other capital assets:				
Land improvements	400,409			400,409
Building and additions	4,598,963			4,598,963
Machinery and equipment	676,183	267,279		943,462
Transportation equipment	383,847	113,723		497,570
Subtotal	6,059,402	381,002		6,440,404
Accumulated depreciation	(2,500,595)	(162,785)		(2,663,380)
Net other capital assets:	3,558,807	218,217	0	3,777,024
Net capital assets	<u>\$ 3,608,807</u>	<u>218,217</u>	<u>0</u>	<u>\$ 3,827,024</u>

Depreciation for the fiscal year ended June 30, 2006 amounted to \$ 162,785. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

NOTE 10 – TRANSFERS:

The general fund transferred \$106,601 to the athletic fund during the current fiscal year. The transfer to the athletic fund was to subsidize operations.

PECK COMMUNITY SCHOOLS
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 11 – COMMITMENTS:

On April 13, 2006, the School District entered into a Energy Efficiency Project in the amount of \$534,519, \$267,260 of which was paid before June 30, 2006. The balance of \$267,259 will be paid during the 2006-2007 school year. In July, 2006, the School District borrowed \$185,000 to finance a portion of the balance due with the rest being paid out of current operations.

REQUIRED SUPPLEMENTARY INFORMATION

PECK COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:				
Local	\$ 197,600	\$ 198,400	\$ 259,340	\$ 60,940
State sources	4,178,710	4,126,839	4,120,497	(6,342)
Federal sources	166,840	172,954	175,656	2,702
Total Revenues	<u>4,543,150</u>	<u>4,498,193</u>	<u>4,555,493</u>	<u>57,300</u>
EXPENDITURES:				
Instruction	2,692,681	2,680,139	2,696,590	(16,451)
Support services	1,655,426	1,747,014	1,707,679	39,335
Community service	-	270	719	(449)
Facilities Acquisition		267,259	267,259	-
Total Expenditures	<u>4,348,107</u>	<u>4,694,682</u>	<u>4,672,247</u>	<u>22,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>195,043</u>	<u>(196,489)</u>	<u>(116,754)</u>	<u>79,735</u>
OTHER FINANCING SOURCES (USES)				
Payments on loans		(31,172)	(31,171)	1
Loan proceeds		41,950	41,950	-
Transfers to other funds	<u>(60,657)</u>	<u>(104,061)</u>	<u>(106,601)</u>	<u>(2,540)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(60,657)</u>	<u>(93,283)</u>	<u>(95,822)</u>	<u>(2,539)</u>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	134,386	(289,772)	(212,576)	77,196
FUND BALANCE AT BEGINNING OF YEAR	<u>1,966,131</u>	<u>1,966,131</u>	<u>1,966,131</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,100,517</u>	<u>\$ 1,676,359</u>	<u>\$ 1,753,555</u>	<u>\$ 77,196</u>

ADDITIONAL INFORMATION

PECK COMMUNITY SCHOOLS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006

	SPECIAL REVENUE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
<u>ASSETS</u>		
Cash	\$ 18,332	\$ 18,332
Due from other governmental units	1,577	1,577
TOTAL ASSETS	<u>\$ 19,909</u>	<u>\$ 19,909</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Due to other funds	\$ -	\$ -
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
 <u>FUND BALANCE</u>		
Fund balances:		
Unreserved:		
Undesignated	19,909	19,909
TOTAL FUND BALANCE	<u>19,909</u>	<u>19,909</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 19,909</u>	<u>\$ 19,909</u>

PECK COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL
FUND TYPES FOR THE YEAR ENDED JUNE 30, 2006

	<u>SPECIAL REVENUE</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES		
Local sources	\$ 118,716	\$ 118,716
State sources	12,231	12,231
Federal sources	<u>78,385</u>	<u>78,385</u>
TOTAL REVENUES	<u>209,332</u>	<u>209,332</u>
 EXPENDITURES		
Food services	182,168	182,168
Athletic services	<u>142,049</u>	<u>142,049</u>
TOTAL EXPENDITURES	324,217	324,217
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(114,885)</u>	<u>(114,885)</u>
 OTHER FINANCING SOURCES (USES)		
Transfers from other funds	<u>106,601</u>	<u>106,601</u>
TOTAL OTHER FINANCING SOURCES (USES)	106,601	106,601
 EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	<u>(8,284)</u>	<u>(8,284)</u>
 FUND BALANCE AT BEGINNING OF YEAR	<u>28,193</u>	<u>28,193</u>
 FUND BALANCE AT END OF YEAR	<u><u>\$ 19,909</u></u>	<u><u>\$ 19,909</u></u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
LOCAL SOURCES:			
Taxes	\$ 138,600	\$ 133,691	\$ (4,909)
Earnings on investments	31,000	59,083	28,083
Drivers education - student fees	800	800	-
Other local revenue	28,000	65,766	37,766
Total Local Sources	<u>198,400</u>	<u>259,340</u>	<u>60,940</u>
STATE SOURCES:			
State school aid	3,957,456	3,965,445	7,989
At Risk	66,578	66,649	71
Special education	102,740	88,403	(14,337)
Drivers Education	-	-	-
Court placed children	-	-	-
Academically Talented Grant	65	-	(65)
Total State Sources	<u>4,126,839</u>	<u>4,120,497</u>	<u>(6,342)</u>
FEDERAL SOURCES:			
Title I	79,602	79,602	-
Title V	254	254	-
Title II - A & D	28,762	28,762	-
IDEA - Project #050450-0405	28,800	28,800	-
REAP grant	27,369	27,369	-
Tech prep	-	400	400
Homeland security	6,667	7,547	880
SPSR Grant	-	1,422	
Safe & Drug Free Schools	1,500	1,500	-
Total Federal Sources	<u>172,954</u>	<u>175,656</u>	<u>2,702</u>
TOTAL REVENUES	<u>\$ 4,498,193</u>	<u>\$ 4,555,493</u>	<u>\$ 57,300</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
BASIC PROGRAMS:			
ELEMENTARY:			
Professional Salaries	\$ 746,355	\$ 731,754	\$ 14,601
Nonprofessional Salaries	64,848	58,658	6,190
Speech	-	-	-
Insurance benefits	169,250	162,492	6,758
FICA & Retirement	194,604	185,653	8,951
Other Benefits	12,100	10,727	1,373
Purchased Services	200	-	200
Supplies	30,000	29,014	986
Capital outlay	8,500	8,390	110
Miscellaneous	400	225	175
Total Elementary	<u>1,226,257</u>	<u>1,186,913</u>	<u>39,344</u>
SECONDARY:			
Professional Salaries	629,725	644,038	(14,313)
Nonprofessional Salaries	11,000	9,087	1,913
Speech	-	-	-
Insurance benefits	133,003	147,766	(14,763)
FICA & Retirement	153,718	154,415	(697)
Other Benefits	12,100	8,174	3,926
Purchased Services	16,500	15,819	681
Supplies	18,000	58,124	(40,124)
Capital outlay	10,600	10,043	557
Miscellaneous	400	138	262
Total Secondary	<u>985,046</u>	<u>1,047,604</u>	<u>(62,558)</u>
AT RISK:			
Professional Salaries	17,317	17,317	-
Nonprofessional Salaries	31,215	31,215	-
Insurance benefits	6,402	6,473	(71)
FICA & Retirement	11,644	11,644	-
Supplies	-	-	-
Total At Risk	<u>66,578</u>	<u>66,649</u>	<u>(71)</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION (Continued):			
ADDED NEEDS:			
SPECIAL EDUCATION:			
Professional Salaries	\$ 122,100	\$ 121,891	209
Nonprofessional Salaries	55,069	52,780	2,289
Insurance benefits	37,915	38,530	(615)
FICA & Retirement	42,376	41,612	764
Other Benefits	2,600	1,525	1,075
Purchased Services	4,500	1,809	2,691
Supplies	1,000	976	24
Capital outlay	300	-	300
Miscellaneous	200	134	66
	<u>266,060</u>	<u>259,257</u>	<u>6,803</u>
Total Special Education			
REAP GRANT:			
Professional Salaries	12,003	12,003	-
FICA & Retirement	2,882	2,882	-
Purchased Services	6,500	6,500	-
Supplies	915	984	(69)
Capital outlay	5,000	5,000	-
Miscellaneous	-	-	-
	<u>27,300</u>	<u>27,369</u>	<u>(69)</u>
Total REAP Grant:			
ACADEMICALLY TALENTED:			
Professional Salaries	-	-	-
Miscellaneous	130	30	100
	<u>130</u>	<u>30</u>	<u>100</u>
Total Academically Talented			
COMPENSATORY EDUCATION: (Title I)			
Professional Salaries	22,925	22,925	-
Nonprofessional Salaries	24,569	24,569	-
Social Worker	-	-	-
Insurance benefits	20,714	20,714	-
FICA & Retirement	11,394	11,394	-
Purchased Services	-	-	-
Supplies	-	-	-
	<u>79,602</u>	<u>79,602</u>	<u>-</u>
Total Compensatory Education: (Title I)			

**PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
ADDED NEEDS:			
COMPENSATORY EDUCATION: (Title II)			
Professional Salaries	\$ 22,000	\$ 22,000	\$ -
Insurance benefits	-	-	-
FICA & Retirement	5,277	5,277	-
Purchased Services	150	150	-
Supplies	<u>1,485</u>	<u>1,485</u>	<u>-</u>
Total Compensatory Education (Title II)	<u>28,912</u>	<u>28,912</u>	<u>-</u>
COMPENSATORY EDUCATION (Title V)			
Miscellaneous	<u>254</u>	<u>254</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>2,680,139</u>	<u>2,696,590</u>	<u>(16,451)</u>
SUPPORTING SERVICES:			
COUNSELING AND LIBRARY:			
Professional Salaries	105,042	106,186	(1,144)
Insurance benefits	6,995	7,316	(321)
FICA & Retirement	25,198	24,693	505
Other Benefits	200	11	189
Purchased Services	100	-	100
Supplies	4,600	2,108	2,492
Capital outlay	100	-	100
Miscellaneous	<u>3,000</u>	<u>1,884</u>	<u>1,116</u>
Total Counseling and Library	<u>145,235</u>	<u>142,198</u>	<u>3,037</u>
BUSINESS SERVICES:			
Miscellaneous	<u>6,379</u>	<u>4,848</u>	<u>1,531</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
CENTRAL OFFICE:			
Professional Salaries	\$ 187,117	\$ 188,352	\$ (1,235)
Nonprofessional Salaries	144,025	143,118	907
Insurance benefits	64,225	66,419	(2,194)
FICA & Retirement	79,105	77,403	1,702
Purchased Services	44,350	38,723	5,627
Supplies	69,000	68,419	581
Capital outlay	11,800	11,739	61
Miscellaneous	5,500	5,571	(71)
Total Central Office	<u>605,122</u>	<u>599,744</u>	<u>5,378</u>
SECONDARY AND ELEMENTARY OFFICES:			
Professional Salaries	159,450	157,550	1,900
Nonprofessional Salaries	33,579	33,515	64
Insurance benefits	66,030	69,958	(3,928)
FICA & Retirement	46,306	44,737	1,569
Purchased Services	8,000	3,919	4,081
Supplies	2,500	2,236	264
Capital outlay	16,800	16,780	20
Miscellaneous	200	-	200
Total Secondary and Elementary Offices	<u>332,865</u>	<u>328,695</u>	<u>4,170</u>
OPERATION OF PLANT:			
Professional Salaries	34,487	34,619	(132)
Nonprofessional Salaries	114,141	113,291	850
Insurance benefits	35,190	29,875	5,315
FICA & Retirement	35,656	35,104	552
Purchased Services	67,066	62,591	4,475
Supplies	144,830	139,973	4,857
Capital outlay	2,000	1,419	581
Miscellaneous	1,200	1,030	170
Total Operation of Plant	<u>434,570</u>	<u>417,902</u>	<u>16,668</u>
HOMELAND SECURITY	<u>6,667</u>	<u>7,547</u>	<u>(880)</u>

PECK COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
PUPIL TRANSPORTATION:			
Professional Salaries	\$ 4,100	\$ 3,582	\$ 518
Nonprofessional Salaries	68,320	69,150	(830)
Insurance benefits	7,392	7,398	(6)
FICA & Retirement	17,374	16,337	1,037
Purchased Services	38,710	33,317	5,393
Supplies	48,280	45,290	2,990
Capital Outlay	-	-	-
Miscellaneous	3,200	1,899	1,301
Total Pupil Transportation	<u>187,376</u>	<u>176,973</u>	<u>10,403</u>
STAFF SERVICES:			
IDEA - Project #050450-0405			
Professional Salaries	23,235	23,235	-
FICA & Retirement	5,565	5,565	-
Total IDEA	<u>28,800</u>	<u>28,800</u>	<u>-</u>
SPSR GRANT			
Professional Salaries	-	782	(782)
FICA & Retirement	-	190	(190)
Total SPSR Grant	<u>-</u>	<u>972</u>	<u>(972)</u>
TOTAL SUPPORTING SERVICES:	<u>1,747,014</u>	<u>1,707,679</u>	<u>39,335</u>
COMMUNITY SERVICE:			
DRIVERS EDUCATION:			
Professional Salaries	250	250	-
Nonprofessional Salaries	-	-	-
FICA & Retirement	20	19	1
Purchased Services	-	-	-
Supplies	-	-	-
Miscellaneous	-	-	-
Total Drivers Education	<u>270</u>	<u>269</u>	<u>1</u>
SPSR GRANT			
Miscellaneous	-	450	(450)
TOTAL COMMUNITY SERVICE:	<u>270</u>	<u>719</u>	<u>(449)</u>
FACILITIES ACQUISITION			
Capital Outlay	<u>267,259</u>	<u>267,259</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 4,694,682</u>	<u>\$ 4,672,247</u>	<u>\$ 22,435</u>

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and investments	\$ 12,317	\$ 6,015	\$ 18,332
Inventory	-	-	-
Due from other governmental units	1,577	-	1,577
Due from other funds	-	-	-
<u>TOTAL ASSETS</u>	<u>\$ 13,894</u>	<u>\$ 6,015</u>	<u>\$ 19,909</u>
 <u>LIABILITIES & FUND EQUITY</u>			
LIABILITIES:			
Due to General Fund	\$ -		\$ -
Deferred income			-
TOTAL LIABILITIES	-	-	-
 FUND BALANCE:			
Fund Balance	13,894	\$ 6,015	19,909
TOTAL FUND BALANCE	13,894	6,015	19,909
<u>TOTAL LIABILITIES & FUND BALANCE</u>	<u>\$ 13,894</u>	<u>\$ 6,015</u>	<u>\$ 19,909</u>

PECK COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>COMBINED</u>
REVENUES:			
Local Sources:			
Sale of lunches	\$ 83,657		\$ 83,657
Athletic receipts and student fees		\$ 33,991	33,991
Interest on investments	825	243	1,068
Total Local Sources	<u>84,482</u>	<u>34,234</u>	<u>118,716</u>
State Sources:			
State aid	<u>12,231</u>		<u>12,231</u>
Federal Sources:			
Federal aid, cash	66,443		66,443
Federal aid, commodities	11,942		11,942
Total Federal Sources	<u>78,385</u>	<u>-</u>	<u>78,385</u>
TOTAL REVENUES	<u>175,098</u>	<u>34,234</u>	<u>209,332</u>
OTHER FINANCING SOURCES:			
Transfer from General Fund	<u>-</u>	<u>106,601</u>	<u>106,601</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>175,098</u>	<u>140,835</u>	<u>315,933</u>
EXPENDITURES:			
Food and other purchases	71,327		71,327
Salaries	63,334	82,000	145,334
Insurance benefits	27,030	-	27,030
FICA & Retirement	15,043	19,666	34,709
Repairs and other purchased services	2,076	15,742	17,818
Supplies	2,823	16,218	19,041
Miscellaneous	535	8,423	8,958
TOTAL EXPENDITURES	182,168	142,049	324,217
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,070)</u>	<u>- (1,214)</u>	<u>(8,284)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>20,964</u>	<u>7,229</u>	<u>28,193</u>
FUND BALANCE AT END OF YEAR	<u>\$ 13,894</u>	<u>\$ 6,015</u>	<u>\$ 19,909</u>

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
BALANCE SHEET
June 30, 2006

June 30, 2006

ASSETS

Cash	<u>\$ 57,830</u>
TOTAL ASSETS	<u><u>\$ 57,830</u></u>

FUND BALANCES

Fund Balance:	
Reserved for debt retirement	<u><u>\$ 57,830</u></u>

PECK COMMUNITY SCHOOLS
1996 DEBT RETIREMENT FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	<u>June 30, 2006</u>
REVENUES:	
Local Sources:	
Property taxes	\$ 239,947
Interest	<u>3,366</u>
TOTAL REVENUES	<u>243,313</u>
EXPENDITURES:	
Debt Service:	
Retirement of bonds	150,000
Interest on bonded debt	97,075
Fees	300
Miscellaneous	<u> </u>
TOTAL EXPENDITURES	<u>247,375</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,062)
FUND BALANCE - BEGINNING OF YEAR	<u>61,892</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 57,830</u></u>

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2006

	PRIVATE PURPOSE TRUST	AGENCY FUNDS	TOTAL
ASSETS			
Cash	\$ 100,396	\$ 77,944	\$ 178,340
TOTAL ASSETS	\$ 100,396	\$ 77,944	\$ 178,340
 LIABILITIES AND FUND EQUITY			
Liabilities:			
Due to student groups		\$ 62,776	\$ 62,776
Due to other funds		15,168	15,168
Total Liabilities	-	77,944	77,944
Fund Equity:			
Fund balance:			
Reserved for scholarships	\$ 100,396		100,396
Total Fund Equity	100,396	-	100,396
TOTAL LIABILITIES AND FUND EQUITY	\$ 100,396	\$ 77,944	\$ 178,340

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING BALANCE SHEET
FOR THE YEAR ENDED JUNE 30, 2006

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
ASSETS			
Cash	<u>\$ 4,794</u>	<u>\$ 52,713</u>	<u>\$ 16,612</u>
TOTAL ASSETS	<u>\$ 4,794</u>	<u>\$ 52,713</u>	<u>\$ 16,612</u>
 LIABILITIES AND FUND EQUITY			
Fund Equity:			
Fund balance:			
Reserved	<u>\$ 4,794</u>	<u>\$ 52,713</u>	<u>\$ 16,612</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 4,794</u>	<u>\$ 52,713</u>	<u>\$ 16,612</u>

SCHOLARSHIP FUNDS

<u>JOHNSTON</u>	<u>ERNST</u>	<u>LAPANOWSKI</u>	<u>R.E.D.</u>	<u>SONS OF AMERICAN LEGION</u>	<u>McCANHAM</u>	<u>TOTAL</u>
\$ 12,035	\$ 3,280	\$ 2,100	\$ 3,299	\$ 500	\$ 5,063	\$ 100,396
<u>\$ 12,035</u>	<u>\$ 3,280</u>	<u>\$ 2,100</u>	<u>\$ 3,299</u>	<u>\$ 500</u>	<u>\$ 5,063</u>	<u>\$ 100,396</u>
\$ 12,035	\$ 3,280	\$ 2,100	\$ 3,299	\$ 500	\$ 5,063	\$ 100,396
<u>\$ 12,035</u>	<u>\$ 3,280</u>	<u>\$ 2,100</u>	<u>\$ 3,299</u>	<u>\$ 500</u>	<u>\$ 5,063</u>	<u>\$ 100,396</u>

PECK COMMUNITY SCHOOLS
PRIVATE-PURPOSE TRUST FUNDS
SCHOLARSHIP FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>SCHOLARSHIP FUNDS</u>		
	<u>LONGUSKI</u>	<u>HANNAN</u>	<u>KETTLEWELL</u>
REVENUES			
Local revenues:			
Interest on Investments	\$ 185	\$ 1,643	\$ 684
Donations	<u>600</u>	<u></u>	<u>-</u>
Total Revenues	<u>785</u>	<u>1,643</u>	<u>684</u>
EXPENDITURES			
Scholarships awarded	<u>500</u>	<u>2,010</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	285	(367)	684
FUND BALANCE AT BEGINNING OF YEAR	<u>4,509</u>	<u>53,080</u>	<u>15,928</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,794</u>	<u>\$ 52,713</u>	<u>\$ 16,612</u>

SCHOLARSHIP FUNDS

JOHNSTON	ERNST	LAPANOWSKI	R.E.D.	SONS OF AMERICAN LEGION	McCANHAM	TOTAL
\$ 632	\$ 109	\$ 70	\$ 112	\$ -	\$ 198	\$ 3,633
1,310	2,539	500	1,500	500	-	6,949
1,942	2,648	570	1,612	500	198	10,582
1,600	1,500	250	500	2,000	250	8,610
342	1,148	320	1,112	(1,500)	(52)	1,972
11,693	2,132	1,780	2,187	2,000	5,115	98,424
\$ 12,035	\$ 3,280	\$ 2,100	\$ 3,299	\$ 500	\$ 5,063	\$ 100,396

PECK COMMUNITY SCHOOLS
AGENCY FUNDS
SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGE IN BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE JUNE 30, 2005	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2006
Student Council	\$ 3,319			\$ 3,577
Honor Society	70			643
Technology	394			369
Class of 2006	314			-
Class of 2007	3,056			4,481
Class of 2008	2,987			4,475
Class of 2009	1,384			1,883
Class of 2010	171			256
Class of 2011				33
Athletic Complex	697			1,406
Computer Club	509			549
Drama Club	446			642
Honors Account	1,808			3,086
Spirit Committee	3,784			2,866
Trip Account	265			193
Athletic Activities	16,931			11,947
Interest	698			1,284
Earlier Classes	22			141
Band Boosters	3,108			37
Quiz Bowl Team	-			-
PPTO	-			8,000
Peck Booster Club	21,926			16,908
TOTALS	\$ 61,889	\$ 196,204	\$ 195,317	\$ 62,776
GENERAL FUND ACCOUNTS	\$ 12,556	\$ 45,128	\$ 42,516	\$ 15,168

PECK COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT -
1996 SCHOOL BUILDING AND SITE BONDS
June 30, 2006

<u>YEAR ENDING</u> <u>June 30,</u>	<u>PRINCIPAL</u> <u>DUE</u>	<u>INTEREST</u> <u>DUE</u>	<u>TOTAL PAYMENT</u>
2007	150,000	86,725	236,725
2008	150,000	79,750	229,750
2009	150,000	72,775	222,775
2010	175,000	65,800	240,800
2011	175,000	57,575	232,575
2012	175,000	49,350	224,350
2013	175,000	41,125	216,125
2014	175,000	32,900	207,900
2015	175,000	24,675	199,675
2016	175,000	24,675	199,675
2017	175,000	24,675	199,675
	<u>\$ 1,850,000</u>	<u>\$ 560,025</u>	<u>\$ 2,410,025</u>

Interest Rates 4.65% to 6.90%

Original Issue \$ 3,000,000

Purpose of Issue: The 1996 Bond issue was for building additions, remodeling existing buildings, new furnishings and upgrading technology equipment.

PECK COMMUNITY SCHOOLS
SCHEDULE OF COPIER NOTE PAYABLE
June 30, 2006

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
6/30/06	\$ 41,950					
		06/30/07	3.88%	\$ 1,244	\$ 10,281	\$ 11,525
		06/30/08	3.88%	845	10,679	11,524
		06/30/09	3.88%	172	11094	11,266
				<u>\$ 2,261</u>	<u>\$ 32,054</u>	<u>\$ 34,315</u>

PECK COMMUNITY SCHOOLS
SCHEDULE OF BUS NOTE PAYABLE
June 30, 2006

<u>YEAR ENDING DATE</u>	<u>ORIGINAL AMOUNT</u>	<u>DUE DATE</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>TOTAL</u>
8/4/04	\$ 53,541					
		8/4/06	3.50%	\$ 1,546	\$ 10,329	\$ 11,875
		8/4/07	3.50%	1,179	10,696	11,875
		8/4/08	3.50%	802	11,073	11,875
		8/4/09	3.50%	407	11,468	11,875
				<u>\$ 3,934</u>	<u>\$ 43,566</u>	<u>\$ 47,500</u>



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 3, 2006

Board of Education
Peck Community Schools
Peck, Michigan 48466

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Peck Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the District's primary government and have issued our report thereon dated August 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Peck Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Peck Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education
Peck Community Schools
August 3, 2006

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

August 3, 2006

To the Board of Education
Peck Community Schools
Peck, Michigan

In planning and performing our audit of the financial statements of Peck Community Schools for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 3, 2006, on the financial statements of Peck Community Schools.

Current Year Comments

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the fund balance, beyond what was approved in total by the school board.

715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

6261 Church Street, Cass City, MI 48726-1111 • 989/872-3730 • Fax 989/872-3978

E mail cpa@atbdcpa.com Website www.atbdcpa.com

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the act we believe the District's current budget procedures are adequate.

Cash Management – Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. 30-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

Small Staff

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist because of the small accounting staff in the School District.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

Due to the limited number of people working in the business office, we recommend that the Board review the school's internal controls. We also recommend that someone from the Board or administrative staff periodically review bank statements, bank reconciliations, and cancelled checks.

To the Board of Education
August 3, 2006
Page 3

Internal Control Procedures

Since the receipts and disbursements of the athletic, hot lunch, and student activity funds are not under the same scrutiny as the general fund we recommend that the Board periodically review the internal control procedures of each of these funds.

We recommend that the District review internal control procedures for the athletic, hot lunch, and student activity funds including cash receipts procedures and expense approval procedures.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Peck Community Schools, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants